

AN ACT

relating to automatic employee participation in and administration of a deferred compensation plan provided by certain hospital districts.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 609.007(c), Government Code, is amended to read as follows:

(c) Except as provided by Section 609.202 or 609.5025, to participate in a deferred compensation plan, an employee must consent in the contract to automatic payroll deductions in an amount equal to the deferred amount.

SECTION 2. Chapter 609, Government Code, is amended by adding Subchapter B-1 to read as follows:

SUBCHAPTER B-1. PARTICIPATION IN DEFERRED COMPENSATION PLAN BY CERTAIN HOSPITAL DISTRICT EMPLOYEES

Sec. 609.201. APPLICABILITY OF SUBCHAPTER. (a) This subchapter applies only to a hospital district created under general or special law if the district offers a deferred compensation plan to the district's employees under Subchapter B.

(b) A hospital district subject to this subchapter may, at the district's option, elect to require automatic employee participation in a deferred compensation plan under Section 609.202.

Sec. 609.202. AUTOMATIC PARTICIPATION; DEFAULT INVESTMENT

1 PRODUCT. (a) This section applies only to an employee of a
2 hospital district that elects under Section 609.201(b) to require
3 automatic employee participation in a deferred compensation plan
4 under this section.

5 (b) An employee automatically participates in a deferred
6 compensation plan provided by the hospital district unless the
7 employee affirmatively elects not to participate in the plan.
8 Notwithstanding Sections 609.007(a) and (c), an employee is not
9 required to affirmatively contract for and consent to participation
10 in a plan under this section.

11 (c) An employee participating in a deferred compensation
12 plan under this section makes a contribution of three percent of the
13 compensation earned by the employee to a default investment product
14 selected by the plan administrator based on the criteria
15 established under Section 609.113 and the rules adopted under
16 Subsection (f). The contribution is made by automatic payroll
17 deduction.

18 (d) At any time, an employee participating in a deferred
19 compensation plan under this section may, in accordance with rules
20 adopted by the board of the hospital district, or its designee,
21 elect to end participation in the plan, to contribute to a different
22 investment product, to contribute a different amount to the plan,
23 or to designate all or a portion of the employee's contribution as a
24 Roth contribution subject to the availability of a Roth
25 contribution program.

26 (e) A hospital district to which this subchapter applies
27 shall ensure that, at the time of employment, each employee is

1 informed of:

2 (1) the elections the employee may make under this
3 section; and

4 (2) the responsibilities of the employee under Section
5 609.010.

6 (f) The board of the hospital district, or its designee,
7 shall adopt rules to implement the requirements of this section.
8 The rules must ensure that the operation of a deferred compensation
9 plan under this section conforms to the applicable requirements of
10 any federal rule that provides fiduciary relief for investments in
11 qualified default investment alternatives or otherwise governs
12 default investment alternatives under participant-directed
13 individual account plans.

14 (g) The amount deducted under this section from an
15 employee's compensation is not deducted for payment of a debt and
16 the automatic payroll deduction is not garnishment or assignment of
17 wages.

18 (h) Using existing resources, the hospital district shall
19 inform new employees of their automatic enrollment in a deferred
20 compensation plan and their right to opt out of enrollment. Using
21 existing resources, this information must be included as part of
22 the new employee orientation process. The district shall maintain
23 a record of a new employee's acknowledgment of receipt of
24 information regarding the ability to opt out of enrollment in a
25 deferred compensation plan.

26 Sec. 609.203. DISCRETIONARY TRANSFER. (a) A hospital
27 district may transfer an employee's deferred amounts and investment

1 income from a qualified investment product to the trust fund of the
2 deferred compensation plan in which the employee participates if
3 the district determines that the transfer is in the best interest of
4 the plan and the employee.

5 (b) The hospital district is not required to give notice of
6 a transfer under Subsection (a) to the employee before the transfer
7 occurs.

8 (c) Promptly after a transfer under Subsection (a) occurs,
9 the hospital district shall give to the employee a notice that:

10 (1) states the reason for the transfer; and

11 (2) requests that the employee promptly designate
12 another qualified investment product to receive the transferred
13 amount.

14 Sec. 609.204. ALTERNATIVE TO FUND DEPOSIT. Instead of
15 depositing deferred amounts and investment income in the trust fund
16 of the deferred compensation plan, a hospital district may invest
17 deferred amounts and investment income in a qualified investment
18 product specifically designated by the district for that purpose.

19 Sec. 609.205. CONTRACTS FOR GOODS AND SERVICES. (a) A
20 hospital district may contract for necessary goods and consolidated
21 billing, accounting, and other services to be provided in
22 connection with a deferred compensation plan.

23 (b) In a contract under Subsection (a), the hospital
24 district may provide for periodic audits of the person with whom the
25 contract is made. An audit may cover:

26 (1) the proper handling and accounting of public or
27 trust funds; and

1 (2) other matters related to the proper performance of
2 the contract.

3 (c) The hospital district may contract with a private entity
4 to conduct an audit under Subsection (b).

5 SECTION 3. Section 609.202, Government Code, as added by
6 this Act, applies only to an employee of a hospital district subject
7 to that section who initially begins employment on or after January
8 1, 2020.

9 SECTION 4. (a) Except as provided by Subsection (b) of this
10 section, the acts of a hospital district created under general or
11 special law that relate to discretionary transfers of funds and
12 consolidation of billing and accounting for deferred compensation
13 plans provided by the district to the district's employees and that
14 occurred before the effective date of this Act are validated as if
15 the acts had occurred as authorized by law.

16 (b) This section does not validate an act that, under the
17 law of this state at the time the act occurred, was a misdemeanor or
18 felony.

19 SECTION 5. This Act takes effect immediately if it receives
20 a vote of two-thirds of all the members elected to each house, as
21 provided by Section 39, Article III, Texas Constitution. If this
22 Act does not receive the vote necessary for immediate effect, this
23 Act takes effect September 1, 2019.

President of the Senate

Speaker of the House

I certify that H.B. No. 2477 was passed by the House on April 12, 2019, by the following vote: Yeas 140, Nays 3, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 2477 on May 23, 2019, by the following vote: Yeas 142, Nays 0, 1 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 2477 was passed by the Senate, with amendments, on May 19, 2019, by the following vote: Yeas 24, Nays 7.

Secretary of the Senate

APPROVED: _____

Date

Governor